

EXHIBIT 1

INTRODUCTION

Respondent Jeffrey E. Stone was an unsuccessful candidate for the California State Assembly, 66th District in the March 7, 2000 primary election, and a member of the Temecula City Council. Respondent Committee to Elect Jeff Stone—66th Assembly District (“Committee”) was a controlled committee of Respondent Stone. Respondent Stone served as the treasurer of Respondent Committee.

The Political Reform Act (the “Act”)¹ requires candidates and their controlled committees to disclose information regarding outstanding loans of \$100 or more on periodic campaign statements, and to maintain detailed accounts, records, bills, and receipts that are necessary to prepare campaign statements. In this matter, Respondents Stone and Committee failed to maintain original source documentation for the loan.

For the purposes of this stipulation, Respondents’ violation of the Act is stated as follows:

COUNT 1: Respondents Jeffrey E. Stone and Committee to Elect Jeff Stone—66th Assembly District failed to maintain detailed accounts, records, bills, and receipts that were necessary to prepare an odd-year pre-election campaign statement for the reporting period July 1, 1999 through September 30, 1999, filed on or about October 12, 1999, in violation of section 84104.

SUMMARY OF THE LAW

An express purpose of the Act, as set forth in section 81002, subdivision (a), is to ensure that receipts and expenditures in election campaigns are fully and truthfully disclosed, so that voters may be fully informed, and improper practices may be inhibited. The Act therefore establishes a campaign reporting system designed to accomplish this purpose of disclosure.

Section 82013, subdivision (a) includes within the definition of “committee” any person who receives contributions totaling \$1,000 or more in a calendar year. This type of committee is commonly referred to as a “recipient committee.” Under section 82016, a recipient committee controlled by a candidate is a “controlled committee.”

Section 84200 requires a candidate and his or her controlled committee to file two semi-annual campaign statements each year. The first semi-annual campaign statement covers the reporting period January 1 to June 30, and must be filed by July 31. The second semi-annual campaign statement covers the reporting period July 1 to December 31, and must be filed by

¹ The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in sections 18109 through 18997 of title 2 of the California Code of Regulations. All regulatory references are to title 2, division 6 of the California Code of Regulations, unless otherwise indicated.

January 31 of the following year.

In the case of a candidate who has filed a statement of intention to be a candidate in a statewide direct primary election held in March of an even-numbered year, section 84200.3 requires the candidate and his or her controlled committee to file two odd-year pre-election campaign statements. Under section 84200.4, subdivision (a), the first statement must cover the period ending September 30 of the year prior to the election, and must be filed no later than October 10. Under section 84200.4, subdivision (b), the second statement must cover the period ending December 31 of the year prior to the election, and must be filed no later than January 10 of the year of the election.

To ensure accurate disclosure of campaign activity, section 84104 requires candidates and recipient committees to maintain detailed accounts, records, bills, and receipts that are necessary to prepare campaign statements, and to comply with the campaign reporting provisions of the Act. Such records must be maintained for a period of four years following the date the campaign statement to which they relate is filed. (Regulation 18401, subd. (b).)

For contributions or loans of \$25 or more, regulation 18401, subdivision (a) requires candidates and controlled committees to maintain, among other things, original source documentation, including bank statements, copies of contributor checks, cashier's checks, money orders, wire transfers, deposit slips, and any other documents, reflecting all items deposited to any campaign bank account.

SUMMARY OF THE FACTS

Respondent Jeffrey E. Stone was an unsuccessful candidate for the California State Assembly, 66th District in the March 7, 2000 primary election. Respondent Stone is currently a member of the Temecula City Council, having served on the city council since 1992. Respondent Committee was a controlled committee of Respondent Stone.

This matter arose as a result of a random Franchise Tax Board Audit of Respondent Committee's activities during the period January 1, 1999 through June 30, 2000, and a subsequent investigation conducted by the Riverside County District Attorney's Office.

COUNT 1

Failure to Maintain Campaign Records

On or about June 28, 1999, Respondents Jeffrey E. Stone and Committee received a \$40,000 loan from the March Family Trust, of which Respondent Jeffrey E. Stone was a beneficiary, in the form of a cashier's check purchased by Charles March. As a candidate and controlled committee, upon receiving the \$40,000 cashier's check, Respondents had a duty to maintain a copy of the check in their campaign records. Respondents, however, failed to maintain a copy of the \$40,000 cashier's check in their campaign records.

By failing to maintain original source documentation for a \$40,000 loan, Respondents violated section 84104.

CONCLUSION

This matter consists of one count of violating the Act, which carries a maximum administrative penalty of \$2,000.

Regarding Count 1, the typical penalty for failing to maintain original source documentation for a loan has ranged from \$1,000 to \$2,000 when the maximum penalty is \$2,000, depending upon the circumstances of the violation. In this matter, the failure of Respondents to maintain a copy of the \$40,000 cashier's check made it difficult for the FTB and the Riverside County District Attorney's Office to audit and investigate Respondent Committee's financial activity. Thus, imposition of the maximum penalty of \$2,000 is appropriate.

Accordingly, the facts of this case justify a total administrative penalty of \$2,000.